

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Cedar Creek Township	County Muskegon
Fiscal Year End March 31, 2006	Opinion Date June 6, 2006	Date Audit Report Submitted to State June 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

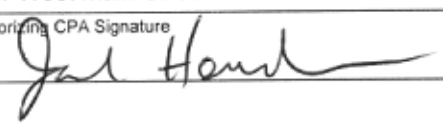
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number (231) 924-6890	
Street Address 711 West Main Street		City Fremont	State MI
Authorizing CPA Signature 		Printed Name Jack Hendon, CPA	Zip 49412
		License Number 14010	

**CEDAR CREEK TOWNSHIP
MUSKEGON COUNTY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

MARCH, 31 2006

CEDAR CREEK TOWNSHIP

Board Members

	<u>Position</u>
James F. Muston	Supervisor
Sharon K. Ackerman	Treasurer
Lorraine Hawkins	Clerk
Tony Crosser	Trustee
William Carpenter	Trustee

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
 BASIC FINANCIAL STATEMENTS	
Governmental Wide Statement of Net Assets	6
Governmental Wide Statement of Activities	7
Government Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Funds	12
Notes to the Financial Statements	13 - 19
 REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds: General Fund	20
 SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	21-24
Combining Balance Sheet - All Trust and Agency Funds	25



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Cedar Creek Township
Muskegon County
Twin Lake, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township as of and for the year ended March, 31 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

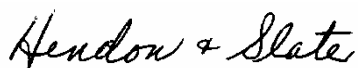
Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com



The CPA. Never Underestimate The Value.®

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Creek Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Certified Public Accountants

June 6, 2006

CEDAR CREEK TOWNSHIP
Management's Discussion & Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 1% due to depreciation of Township Assets. Net Assets did increase for property sales of property redeemed from the State. The money will be disbursed to the County Treasurer after the expense of the sale is deducted. We will be paying the County Treasurer \$3,623.58. This will still leave one parcel that we purchased from the State that has not been sold at this time.

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current Assets	\$ 373,827	\$ 366,158
Noncurrent Assets	<u>229,966</u>	<u>234,285</u>
Total Assets	<u><u>\$ 603,793</u></u>	<u><u>\$ 600,443</u></u>
Long-Term Debt Outstanding	\$ -	\$ -
Other Liabilities	<u>13,589</u>	<u>3,170</u>
Total Liabilities	<u><u>\$ 13,589</u></u>	<u><u>\$ 3,170</u></u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 229,966	\$ 234,285
Unrestricted	<u>360,238</u>	<u>362,988</u>
Total Net Assets	<u><u>\$ 590,204</u></u>	<u><u>\$ 597,273</u></u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, decreased by \$2,750 for the governmental activities. This represents a decrease of approximately .75%.

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for Services	\$ 57,750	\$ 64,480
General Revenues		
Property Taxes	68,189	65,647
State Shared Revenues	220,332	221,225
Investment Earnings	6,762	6,793
Miscellaneous	<u>24,730</u>	<u>25,487</u>
Total Revenues	\$ 377,763	\$ 383,632

Program Expenses		
Legislative	\$ 58,344	\$ 54,751
General Government	98,815	98,544
Public Safety	128,976	135,197
Public Works	36,007	30,912
Recreation & Culture	2,204	3,255
Unallocated Expenses	49,229	44,098
Unallocated Depreciation	11,254	11,276
Total Expenses	<u>384,829</u>	<u>378,033</u>
Change in Net Assets	<u>\$ (7,066)</u>	<u>\$ 5,599</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$18,788 primarily due to the charges for services such as land division fees and zoning fees. Fines and franchise fees were also increased. Property taxes continue to increase even though our milage rate continues to decrease.

Expenses where held to a very modest increase by aproximately \$420. Also no cops in school program.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's only major fund for 2006 was the General Fund.

The General Fund pays for all of the Township's governmental services. About one-third of the General Fund expenditures are made up of public safety (\$128,976) which is largely made up of Fire Protection (\$86,298 or about 67%). About 41% of the General Fund expenditures are made up of legislative and general government expenditures, amounting to \$58,344 and \$98,815, respectively. Legislative expenditures includes the township board and clerical staff. General government expenditures are mainly the township officers (supervisor, clerk, and treasurer), the assessor and the costs realted to the hall.

General Fund Budgetary Highlights

The Township amends its budget during the year by decreasing one activity and increasing another. Inspections costs were down due to a decrease in building. Most amendments are taken from the contingency budget line.

Capital Asset and Debt Administration

The Township maintains its property buildings and equipment. The Township continues to set aside money for road improvements to try to do improvements to county roads that are not paved. The roads are Muskegon County Road Commissions responsibility but they will not pave without our participation. Making it necessary to save for several years to be able to get a road paved.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2006-2007 shows a small increase in property taxes due to the limits allowed property value increases. The Township also projects that State Revenue will again decrease by 1.5%. Expenditures on a cash basis were decreased in the General Fund actual 2006 by about \$5,000. The projected expenses for 2006-2007 shows very modest increases other than the road improvement line item as this is actually a hold over from the 2005-2006 budget. The Township board addressed the possibility of a property tax administration fee but decided not to impose it this year. The board felt that in this economic downtrend we don't want to add additional expense to our residents unless it is absolutely necessary.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

CEDAR CREEK TOWNSHIP

Government Wide Statement of Net Assets March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash	\$ 360,060
Accounts Receivable	12,333
Due from Fiduciary Funds	1,434
Property and Equipment	343,048
Accumulated Depreciation	<u>(113,082)</u>
 Total Assets	 603,793
Liabilities	
 Accounts Payable	 \$ 11,739
Accrued Pension Costs	<u>1,850</u>
 Total Liabilities	 <u>13,589</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	229,966
 Unrestricted	 <u>360,238</u>
 Total Net Assets	 <u><u>\$ 590,204</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
Legislature	\$ 58,344	\$ -	\$ (58,344)
General Government	98,815	-	(98,815)
Public Safety	128,976	37,959	(91,017)
Public Works	36,007	19,791	(16,216)
Recreation and Culture	2,204	-	(2,204)
Unallocated	49,229	-	(49,229)
Depreciation	11,254	-	(11,254)
	<hr/>	<hr/>	<hr/>
Total Primary Government	<u>\$ 384,829</u>	<u>\$ 57,750</u>	<u>\$ (327,079)</u>
 General Revenues			
Property Taxes - Levied for General Purpose			\$ 68,189
State Sources			220,332
Interest Income			6,762
Miscellaneous			24,730
			<hr/>
Total General Revenues			<u>320,013</u>
 Change in Net Assets			(7,066)
 Net Assets - April 1, 2005			<u>597,270</u>
 Net Assets - March 31, 2006			<u>\$ 590,204</u>

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Governmental Fund Balance Sheet March 31, 2006

	<u>General Fund</u>
Assets	
Cash	\$ 360,060
Accounts Receivable	12,333
Due from Other Funds	<u>1,434</u>
 Total Assets	 <u><u>\$ 373,827</u></u>
 Liabilities	
Accounts Payable	\$ 11,739
Accrued Pension Costs	<u>1,850</u>
 Total Liabilities	 13,589
 Fund Balances	
Unrestricted	<u>360,238</u>
 Total Fund Balance	 <u>360,238</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 373,827</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2006

Total Governmental Fund Balances	\$	360,238
----------------------------------	----	---------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset		343,048
Governmental Accumulated Depreciation		<u>(113,082)</u>

Total Net Assets - Governmental Activities:	\$	<u><u>590,204</u></u>
---	----	-----------------------

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund
Revenues	
Property Taxes	\$ 68,189
Licenses and Permits	37,959
State Grants	220,332
Charges for Services	19,791
Interest	6,763
Miscellaneous	<u>24,729</u>
 Total Revenues	 <u>377,763</u>
Expenditures	
Legislative	58,344
General Government	104,565
Public Safety	128,976
Public Works	36,007
Recreation and Culture	2,204
Unallocated	50,416
Contingency	<u>-</u>
 Total Expenditures	 <u>380,512</u>
 Excess Revenue Over(Under) Expenditures	 (2,749)
 Other Financing Sources (Uses)	
Sale of Fixed Assets	<u>-</u>
 Excess Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	 (2,749)
 Fund Balance - April 1, 2005	 <u>362,987</u>
 Fund Balance - March 31, 2006	 <u><u>\$ 360,238</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(2,749)
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	6,937		
Depreciation expense reported in the statement of activities	<u>(11,254)</u>	<u>(4,317)</u>	

Changes in Net Assets - Governmental Activities	\$	<u><u>(7,066)</u></u>
---	----	-----------------------

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Statement of Net Assets - Fiduciary Funds March 31, 2006

	<u>Tax Fund</u>	<u>Trust and Agency Fund</u>
Assets		
Cash	<u>\$ 1,434</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 1,434</u></u>	<u><u>\$ -</u></u>
 Liabilities and Net Assets		
Liabilities		
Due to Other Funds	\$ 1,434	\$ -
Due to Other Units	<u> -</u>	<u> -</u>
Total Liabilities	<u><u> 1,434</u></u>	<u><u> -</u></u>
 Net Assets		
Unreserved	<u> -</u>	<u> -</u>
 Total Liabilities and Net Assets	<u><u>\$ 1,434</u></u>	<u><u>\$ -</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CEDAR CREEK TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cedar Creek Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Cedar Creek

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$12,333 were received in June 2006, thus taxes receivable has been recorded.

The 2005 taxable valuation of the Township totaled \$62,426,522 on which ad valorem taxes levied consisted of .94110 mills for general operating. The Township also collects special assessment property taxes for road paving which raised \$8,114. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred no expenditures in budgeted funds which were materially in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash	\$ 360,060	\$ 1,434	\$ 361,494

The bank balance of the Township's deposits is \$378,038, of which \$58,422 is covered by federal depository insurance, and \$319,616 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Depositories actively used by the Township during the year are detailed as follows:

1. National City Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund
Special Assessments	\$ 5,676
Property Tax Receivable	<u>6,657</u>
Net Receivables	<u><u>\$ 12,333</u></u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 68,600	\$ -	\$ -	\$ 68,600
Capital Assets Being Depreciated				
Buildings	173,725	-	-	173,725
Land Improvements	56,251	1,187	-	57,438
General Equipment	37,537	5,750	-	43,287
Subtotal	<u>267,513</u>	<u>6,937</u>	<u>-</u>	<u>274,450</u>
Less Accumulated Depreciation for				
Buildings	72,266	3,280	-	75,546
Land Improvements	14,312	2,853	-	17,165
General Equipment	15,249	5,121	-	20,370
Subtotal	<u>101,827</u>	<u>11,254</u>	<u>-</u>	<u>113,081</u>
Net Capital Assets being depreciated	<u>165,686</u>	<u>(4,317)</u>	<u>-</u>	<u>161,369</u>
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 234,286</u>	<u>\$ (4,317)</u>	<u>\$ -</u>	<u>\$ 229,969</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	\$ 11,254

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund (Due From)</u>	<u>Payable Fund (Due To)</u>
General Fund \$ 1,434	Tax Account \$ 1,434
Interfund Transfers-None	

NOTE G RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE H EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all if its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on April 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$14,862. The Township paid \$21,564 during the year, including participant fees. In addition, \$3,725 was paid on behalf of the employees in the current year. The contribution is 75% of \$600 for the first \$2,500 of compensation plus 75% of \$100 for each additional \$500 of compensation. Covered payroll for the current year is \$72,818; and total payroll of the

NOTE I PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (15,001)
Fees Collected 2005	37,884
Wages, Professional Fees and Other Expenses	<u>(35,627)</u>
Excess Costs Over Fees Collected	<u><u>\$ (12,744)</u></u>

CEDAR CREEK TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 275,944	\$ 275,944	\$ 362,987	\$ 87,044
Budget Stabilization Fund	75,000	75,000	-	(75,000)
Total Fund Balance	350,944	350,944	362,987	12,044
Resources				
Taxes	63,300	63,300	68,189	4,889
Licenses and Permits	45,000	45,000	37,959	(7,041)
State Grants	219,813	219,813	220,332	519
Charges for Services	14,000	14,000	19,791	5,791
Interest and Other	21,075	21,075	31,492	10,417
Total Revenue	363,188	363,188	377,763	14,575
Expenditures				
Legislative	57,000	57,000	58,344	(1,344)
General Government	110,800	110,800	104,565	6,235
Public Safety	153,600	153,600	128,976	24,624
Public Works	70,430	70,430	36,007	34,423
Recreation and Culture	4,500	4,500	2,204	2,296
Unallocated	49,500	52,700	50,416	2,284
Contingency	15,000	11,800	-	11,800
Total Expenditures	460,830	460,830	380,512	80,318
Excess Revenue Over (Under)				
Expenditures	(97,642)	(97,642)	(2,749)	(94,893)
Other Sources (Uses)	-	-	-	-
Excess Revenue and Other Sources				
Over (Under) Expenditures	(97,642)	(97,642)	(2,749)	(94,893)
and Other Uses				
Ending Year				
Fund Balance	178,302	178,302	360,238	181,936
Budget Stabilization Fund	75,000	75,000	-	(75,000)
Total Ending Fund Balance	\$ 253,302	\$ 253,302	\$ 360,238	\$ 106,936

CEDAR CREEK TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 60,000	\$ 58,605	\$ (1,395)
Other Taxes	3,300	9,584	6,284
Licenses and Permits	45,000	37,959	(7,041)
State Shared Revenue	213,000	213,184	184
State Grants	6,813	7,148	335
Charges for Services	14,000	19,791	5,791
Interest	3,000	6,763	3,763
Reimbursements	-	2,189	2,189
Fines/Franchise Fees	17,500	18,436	936
Other	575	4,104	3,529
Total Revenues	363,188	377,763	14,575
 Expenditures			
Legislative			
Township Board			
Salaries and Wages		10,120	
Professional Services		15,770	
Supplies		4,692	
Dues and Education		7,261	
Printing and Publishing		2,095	
Transportation		479	
Community Promotions		100	
	39,200	40,517	(1,317)
Clerical Staff	17,800	17,827	(27)
 Total Legislative	57,000	58,344	(1,344)
 General Government			
Supervisor			
Salaries and Wages		16,763	
Transportation		1,040	
Education and Training		974	
	\$ 18,300	\$ 18,777	\$ (477)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Elections			
Salaries and Wages		\$ 540	
Supplies		471	
Transportation		215	
Education and Training		<u>588</u>	
	\$ 3,000	1,814	\$ 1,186
Clerk			
Salaries and Wages		17,699	
Transportation		1,033	
Education and Training		<u>269</u>	
	20,000	19,001	999
Treasurer			
Salaries and Wages		18,540	
Supplies		674	
Transportation		1,302	
Education and Training		<u>207</u>	
	21,800	20,723	1,077
Assessor			
Salaries and Wages		15,956	
Transportation		81	
Education and Training		<u>345</u>	
	16,500	16,382	118
Township Hall and Grounds			
Salaries and Wages		9,045	
Supplies		1,082	
Utilities		6,166	
Contracted Services		152	
Capital Outlay		<u>9,442</u>	
	29,300	25,887	3,413
Board of Review			
Salaries and Wages		1,229	
Printing and Publishing		331	
Education and Training		<u>40</u>	
	1,500	1,600	(100)
Cemetery			
Salaries and Wages	<u>400</u>	<u>381</u>	<u>19</u>
Total General Government	110,800	104,565	6,235

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Public Safety

Building Inspection

Salaries and Wages

\$ 11,556

Supplies

2,052

Education

350

\$ 19,500

13,958

\$ 5,542

Plumbing/Mechanical Inspections

Salaries and Wages

17,000

14,435

2,565

Electrical Inspection

Salaries and Wages

6,500

4,770

1,730

Planning Department

Salaries and Wages

3,000

-

3,000

Board of Appeals

Salaries and Wages

1,920

Education

420

Transportation

14

Miscellaneous

110

300

2,464

(2,164)

Zoning Administrator

Salaries and Wages

6,960

Miscellaneous

91

6,800

7,051

(251)

Fire Fighting

Contracted Services

98,000

86,298

11,702

Farmland/Open Space Preservation

500

-

500

Master Plan/Consulting Fees

2,000

-

2,000

Total Public Safety

153,600

128,976

24,624

Public Works

Transfer Station

Salaries and Wages

4,481

Contracted Services

17,125

Supplies and Bonds

942

\$ 23,300

\$ 22,548

\$ 752

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Roads			
Repairs and Maintenance		\$ 12,509	
Improvements		700	
Street Lights		<u>250</u>	
	<u>\$ 47,130</u>	<u>13,459</u>	<u>\$ 33,671</u>
Total Public Works	70,430	36,007	34,423
Recreation and Cultural			
Parks			
Repairs and Maintenance		1,554	
Miscellaneous		<u>650</u>	
Total Recreation and Culture	4,500	2,204	2,296
Unallocated			
Employees Fringe Benefits			
Pension		21,564	
Payroll Taxes		11,752	
Other Employee Benefits		<u>4,774</u>	
	38,500	38,090	410
Capital Expenditures	5,000	1,186	3,814
Insurance and Bonds	9,200	11,140	(1,940)
Contingency	<u>11,800</u>	<u>-</u>	<u>11,800</u>
Total Unallocated	<u>64,500</u>	<u>50,416</u>	<u>14,084</u>
Total Expenditures	<u>460,830</u>	<u>380,512</u>	<u>80,318</u>
Excess Revenues Over			
(Under) Expenditures	(97,642)	(2,749)	94,893
Fund Balance - April 1, 2005	<u>239,602</u>	<u>362,987</u>	<u>123,385</u>
Fund Balance - March 31, 2006	<u><u>\$ 141,960</u></u>	<u><u>\$ 360,238</u></u>	<u><u>\$ 218,278</u></u>

CEDAR CREEK TOWNSHIP

Combining Balance Sheet - All Trust and Agency Funds March 31, 2006

	Tax Collection Fund	Trust and Agency Fund	Totals
Assets	<u>\$ 1,433</u>	<u>\$ -</u>	<u>\$ 1,433</u>
Cash			
Liabilities and Fund Equity			
Liabilities			
Due to Other Funds	<u>\$ 1,433</u>	<u>\$ -</u>	<u>\$ 1,433</u>
Total Liabilities	1,433	-	1,433
Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 1,433</u>	<u>\$ -</u>	<u>\$ 1,433</u>



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



June 8, 2006

Township Board
Cedar Creek Township
Muskegon County, Michigan

Dear Board Members:

In connection with our audit of Cedar Creek Township as of and for the year ended March 31, 2006, we offer the following comments and recommendations:

BOOKS AND RECORDS

As usual, the records of Cedar Creek Township were in excellent condition and both the Clerk and Treasurer should be commended. We do have a few minor improvements which would enhance your internal controls and assist in the audit process. We recommend you put the account numbers on the copies of cancelled checks so checks can be easily traced into your QuickBooks accounting system. We also noticed a few instances where the invoice was not attached to the copy of the cancelled check. Care should be taken to tie out receiving documents and invoices and attach them to the copy of the cancelled check to increase internal controls.

CONFLICT OF INTEREST

As you know, transactions involving related parties which are trustees, employees and their spouses need to be disclosed in the audit. We noted no related party transactions during the audit year. However, to help insure that these types of transactions are disclosed and the board is aware of them, we recommend you consider adopting a conflict of interest policy where all employees and trustees must disclose their financial interest in any outside businesses and verify these companies have had no business dealings with the Township. Although a conflict of interest policy is not mandated by the State of Michigan, it is still a very good practice to consider adopting.

UNCLAIMED PROPERTY REPORTING

The State of Michigan is making an effort to contact all businesses and governmental units reminding them of the unclaimed property reporting rules. If the Township has written checks to employees or vendors and the checks have not been cashed for a designated period (usually five (5) years), the cash should be turned over to the State of Michigan as unclaimed property. I have enclosed the reporting requirements as issued by the Department of Treasury for your review.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com



The CPA. Never Underestimate The Value.®

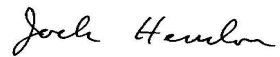
June 8, 2006

Page 2

If any of you board members have questions or concerns regarding our audit, the financial statements or this letter, please do not hesitate to call.

Thank you for the courtesy extended to us during our audit. We look forward to continuing to serve Cedar Creek Township.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jack Hendon".

Jack Hendon, CPA
Hendon & Slate, P.C.